2013/14 **ANNUAL SERVICE PLAN REPORT**

BC OIL AND GAS COMMISSION

BRITISH COLUMBIA

BC Oil & Gas COMMISSION

MESSAGE FROM THE CHAIR

TO THE MINISTER OF NATURAL GAS DEVELOPMENT

It's my pleasure to present the 2013/14 – 2015/16 Annual Service Plan Report for the British Columbia Oil and Gas Commission (Commission) on behalf of the Board of Directors and all employees. The Commission continues to successfully meet and exceed the commitments laid out in the Government's Letter of Expectations and deliver on its Mission to regulate oil and gas activities for the benefit of all British Columbians.

The Commission has strengthened its organizational capacity and expertise to ensure it is ready to act as the primary regulator for the emerging Liquefied Natural Gas (LNG) industry.

The Business Transition Strategy (BTS) team has made substantial progress this past year on E-submissions, E-permitting and E-payment – three specific initiatives and part of the broader strategy to enhance information management and reporting to meet the expected growth in activity levels resulting from LNG.

The Commission is committed to working collaboratively with First Nations and ensuring appropriate consultation and engagement takes place around all oil and gas activities. The primary focus for the past year has been on renegotiating Consultation Process Agreements (CPA) with Treaty 8 bands, but where agreement has not been reached, Interim Capacity Agreements, where possible, and the Interim Consultation Procedures (ICP) have been implemented. In addition, the Commission has established a presence in the northwest and has been working to build relationships with First Nations in that region.

To ensure the Commission remains at the forefront of regulating the industry, further refinements have been undertaken through Area Based Analysis (ABA) – a process for consideration and management of the effects of development on the land base – to help determine cumulative impacts and better inform decision makers. Implementation of ABA has commenced within the Liard Basin. Water management also continues to be a priority, with the Commission taking on water licensing of the oil and gas sector and bringing with it improvements including a requirement to track and report all such water use. Decisions on water licences and short-term permits are informed by the Northeast Water Tool (NEWT). Unique in North America and publicly available, NEWT shows all active water permits and licences on a river or lake, the amount of water being used and what is left for potential use ensuring environmental flows are maintained. Work is also coming to fruition on a Water Portal, a GIS-based tool that will consolidate water and weather data and information into a single access point, making it available for decision makers, First Nations, industry and the public.

The Commission successfully opened its new operational headquarters in Fort St. John. The LEED® gold building includes a new Core Facility, and is a contemporary and practical work environment. The new northeast office is part of the Commission's effort to modernize its operations and is a tangible reflection of the Commission's respect and appreciation for the hard work of its staff, the majority of whom live in this region.

A new revenue stream was added this past fiscal year, which includes various fees for assessing applications for LNG facilities and associated major pipeline projects. In turn, Commission operations funded by production and pipeline levies were $31.5 million and fees were $13.9 million, with expenses totaling $44.2 million.

The Commission ended the 2013/14 fiscal year with a $2.1 million surplus based on its operations and the Orphan Sites Reclamation Fund (OSRF).

The 2013/14 BC Oil and Gas Commission Annual Service Plan Report was prepared under the Board's direction in accordance with the Budget Transparency and Accountability Act and the BC Reporting Principles. The information presented reflects the performance of the Commission for the 12 months ended March 31, 2014 in relation to the 2013/14 – 2015/16 Revised Service Plan. The financial statements conform to the Public Sector Accounting Standards adopted for 2013/14 and future periods. All significant decisions, events and identified risks, as of June 10, 2014, have been considered in preparing this report. It contains estimates and interpretive information that represent the best judgment of management.

The Board is accountable for the contents of this report. The Board ensures internal controls are in place and performance is measured and reported accurately and in a timely fashion. Any changes in mandate direction, goals, strategies, measures or targets since issuance of the 2013/14 – 2015/16 Revised Service Plan have been discussed and any significant changes identified.

Steve Carr

Board Chair
BC Oil and Gas Commission

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Organizational Overview

The Commission's mandate is set out in legislation through the Oil and Gas Activities Act (OGAA) and that legislative mandate is reflected in the organization's Mission statement. The Commission is the provincial, single-window regulatory agency with responsibilities for regulating oil and gas activities in B.C., including exploration, development, provincial pipeline transportation, processing and reclamation. The Commission's core roles include reviewing and assessing applications for industry activities, consulting with First Nations, ensuring industry complies with provincial legislation and partnering with other responsible agencies. The public interest is served through protecting public safety, conserving the environment and ensuring equitable access to natural gas and petroleum resources. To view this enabling legislation, visit the Commission's website at www.bcogc.ca.

Since its inception as a service delivery Crown corporation, the Commission has administered a single-window model for permitting oil and gas exploration and development, and ensuring compliance with permit conditions and applicable regulations. This model has put B.C. in a favourable position and has supported effective and efficient regulatory processes. The single-window approach was strengthened by OGAA, which updated and consolidated various acts and regulations, while continuing the Commission's regulatory authority with respect to oil and gas activities under the Environmental Management Act, Land Act, Water Act, Heritage Conservation Act, and Forest Act.

As a regulator, the Commission considers and takes into account the diverse interests of First Nations and multiple stakeholder groups. The Commission has developed a long-term relationship with Treaty 8 First Nations and continues to interface and build working relationships with First Nations communities in all areas of the province where oil and gas activities take place or are contemplated. Numerous delegated authorities, working agreements and memoranda of understanding form the basis for representing the interests of partner government agencies, along with work on major government inter-agency teams. The Commission is proud of its open relationship with industry, based on mutual respect and responsiveness. With proposed LNG developments on the horizon, the Commission has taken a proactive approach to ensure major projects are effectively regulated and the necessary expertise and training is available to ensure public safety. At the same time, it has been expanding outreach to First Nations, rights holders and communities beyond northeastern B.C., where the majority of oil and gas activities take place.

The Commission recognizes its employees as a principal stakeholder group and is committed to supporting their continuous professional development and to providing a healthy work environment. Employees operate out of five locations – Victoria, Fort St. John, Dawson Creek, Fort Nelson and Kelowna, with the largest number of staff concentrated in Fort St. John and Victoria. The offices in Fort Nelson and Dawson Creek ensure the Commission's presence in communities near the Horn River Basin and Montney resource plays respectively. Recognizing the need for a Commission presence in all areas of the province, a complement of staff has been established in Kelowna, and a presence has been introduced in the northwest through regional staff placement. The areas of primary oil and gas activities are shown on page five along with the Commission's office locations.

Mission

We regulate oil and gas activities for the benefit of British Columbians.

We achieve this by:

- Protecting public safety,
- Respecting those affected by oil and gas activities,
- Conserving the environment, and
- Supporting resource development.

Through the active engagement of our stakeholders and partners, we provide fair and timely decisions within our regulatory framework.

We support opportunities for employee growth, recognize individual and group contributions, demonstrate accountability at all levels, and instill pride and confidence in our organization.

We serve with a passion for excellence.

Vision

To be the leading oil and gas regulator in Canada.

Values

Respectful
Accountable
Effective
Efficient
Responsive
Transparent

COMMISSION MANDATE

Section 4 of the Oil and Gas Activities Act sets out the mandate and purposes of the Commission as follows:

(a) to regulate oil and gas activities in British Columbia in a manner that:

(i) provides for the sound development of the oil and gas sector, by fostering a healthy environment, a sound economy and social well-being,

(ii) conserves petroleum and natural gas resources,

(iii) ensures safe and efficient practices, and

(iv) assists owners of petroleum and natural gas resources to participate equitably in the production of shared pools of petroleum and natural gas;

(b) to provide for effective and efficient processes for the review of applications for permits and to ensure that applications that are approved are in the public interest having regard to environmental, economic and social effects;

(c) to encourage the participation of First Nations and Aboriginal peoples in processes affecting them;

(d) to participate in planning processes;

(e) to undertake programs of education and communication in order to advance safe and efficient practices and the other purposes of the Commission.

COMMISSION CORE SERVICES

Protecting public safety.

Review, assessment and determination of oil and gas applications for permits or authorizations under Commission jurisdiction related but not limited to:

- Wells.
- Pipelines.
- Geophysical activities.
- Oil and gas roads.
- LNG Plants and other facilities.

Corporate services related to asset transfers, amalgamations, and Crown land surface tenure.

Assurance of industry compliance with applicable laws and regulations and permit-specific requirements through audit, inspection, enforcement and incident investigation activities.

Resource conservation and production monitoring and measurement.

Stewardship through environmental management and protection to ensure resource values affected by oil and gas development are sustainable for future generations.

Consultation and information sharing with First Nations on oil and gas activities.

Liaison with other provincial and federal government agencies in ensuring effective delivery of government policy, improved regulatory climate and cohesive application of existing regulations.

Community and landowner support through education, public engagement, mediation and dispute resolution.

Organizational Structure

The Commission is made up of four divisions, designed to meet its legislative mandate and the operational realities inherent in regulating the oil and gas industry. These include the Office of the Commissioner; Applications and Operations; Engineering; and, Corporate Services. Statutory decision-making authority is vested in the Commissioner who also serves as the Chief Executive Officer. The Commissioner delegates decision-making authority to staff members in Applications and Operations and Engineering led respectively by the Chief Operating Officer and Chief Engineer. Regulatory specialists led by the Chief Legal and Regulatory Officer provide support by interpreting regulations and ensuring consistency and effectiveness of the regulatory framework. A Corporate Services Division under the Chief Financial Officer provides financial management, information technology services, human resource management, facilities management, and corporate property administration for the entire organization. The specific departments and the core responsibilities of each division are described on page seven.

In addition to core services, the Commission provides a support role in the implementation of the independently managed Science and Community Environmental Knowledge (SCEK) Fund, which supports and facilitates research concerning practical ways of addressing environmental and social issues related to oil and gas exploration and development in B.C.

The Commission is also responsible for the Orphan Site Reclamation Fund (OSRF), established in 2006, which is funded through a tax on production. The OSRF is used to pay the cost of reclaiming abandoned well sites, test holes, production facilities and pipelines at sites where no responsible operator can be found. Priority is given to orphan sites on private land to alleviate the burden on the landowners who are unable to use the land.

Science and Community Environmental Knowledge (SCEK) Fund

Funding Area	Investment To-Date (millions)	# of Active Projects	# of Projects to-Date
Environmental Impacts	$3.5	4	35
Cumulative Impacts	$1.1	--	15
Health and Safety	$1.4	1	9
Traditional Knowledge	$1.0	--	8
Collaboration & Communication	$0.3	1	12
Boreal Caribou (established 2012)	$1.8	8	10

SCEK Fund is an oil and gas focused research fund sponsored by industry and administered by the BC Oil and Gas Commission www.scek.ca

OFFICE OF THE COMMISSIONER

Legal and Regulatory
Legal Advice
Court Proceedings — Reviews and Appeals
Delegated Decision Makers Quality Assurance Program

Regulatory Affairs
Regulatory Initiatives — Regulatory Support

Strategic Relations
First Nations Relations — Other Strategic Relations

Governance
Integrated Risk Management — Internal Audit
Board Governance - Corporate Secretary to the Board

Corporate Affairs
Government Relations — Strategic and Business Planning
Corporate Reporting — Internal and External Communications

Executive Coordination
Executive Administrative Support — Event Planning — Correspondence Management
Recognition and Branded Merchandise Pgm Administration

Business Transition Project Management
Management of Business Systems Transition Projects

Operational Analysis
Business Process Management — Business Intelligence — Documentation Management

CORPORATE SERVICES

Finance and Administration
Financial Planning and Accounting — Records Management
Corporate Property and Administration
Core Research Centre Management

Information Systems and Technology
Business Systems Improvements — Business Systems Maintenance
Business Transition Strategy — Technology Service Delivery
Infrastructure Management and Administration

Human Resources and Organizational Development
Collective Bargaining and Labour Relations
Employee Performance Management
Employee Engagement
Leadership Effectiveness
Learning and Development — Payroll and Benefits
Recruitment — Strategic Workforce Planning
Workplace Wellness and Occupational Health and Safety

ENGINEERING

Reservoir Engineering
Reservoir Project Determinations, Amendments and Compliance
Well Testing and Production Allowable Applications
Hydrocarbon and By-Product Reserves Inventory and Publication
Well Data Management and Analysis

Drilling and Production
Compliance with Regulatory Requirements (Drilling, Completion & Production)
Well Integrity Programs — Well Data — Flare Reduction

Facilities
Facility Application / Amendment Engineering Review
LNG Facility Application Review — Facility Integrity Management
Facility Critical Data Capture, Integrity and Reconciliation
Provide Engineering Support and Regulatory Interpretation
As-built Audit and Review

Pipelines
Pipeline Application Engineering Review — Pipeline Permit Revision and Amendment
Integrity Management Program Audit — Pressure Test or Alternative Review and Approval
As-built Audit and Review — Regulatory and Technical Support
Major Projects Technical Support and Review

Field Engineering and Technical Investigations
Engineering Failure Investigations — Pipeline and Facility Start-up / LTO Inspections
Drilling and Service Rig Inspections — Training and Support to Compliance Operations
Field Audits

Asset Integrity and Retirement
Management of the LMR Program — Administration of the OSRF
Environmental Liability Policy and Guideline Development

APPLICATIONS AND OPERATIONS

Permitting and Authorizations
Regional Operations — Application Review and Processing
Permit Operations and Administration

Community Relations
Education and Information Outreach
Issues Management

Compliance Operations
Environmental Management and Reclamation — Emergency and Security Management
Compliance and Enforcement

Resource Stewardship and Major Projects
Petroleum Geology — Stewardship — Major Projects
Spacial Analysis and Geographic Information Systems (GIS)

BOARD OF DIRECTORS

Steve Carr, Deputy Minister, Ministry of Natural Gas Development (Chair)
Paul Jeakins, Commissioner and Chief Executive Officer, BC Oil and Gas Commission (Vice Chair)
John Jacobsen, Independent Member, appointed by the Lieutenant Governor in Council

AUDIT COMMITTEE

Responsible for financial reporting and disclosure, risk management, and compliance with applicable laws, regulations and government policy.

Arn van Iersel, Board Consultant and Chair of the Audit Committee
Doug Wilkes, Board Consultant
Al Hurd, Board Consultant

HUMAN RESOURCES COMMITTEE

Responsible for executive appointment, performance, succession and compensation, and for trade union negotiations and compensation structure.

John Jacobsen, Independent Member, appointed by the Lieutenant Governor in Council, and Chair of the Human Resources Committee
Arn van Iersel, Board Consultant
Al Hurd, Board Consultant

REGULATORY COMMITTEE

Responsible for legislation and regulation matters, policies, procedures and systems appropriate for an effective regulatory framework.

Paul Jeakins, Commissioner and Chief Executive Officer, BC Oil and Gas Commission, and Chair of the Regulatory Committee
Doug Wilkes, Board Consultant
Neal Norman, Board Consultant

EXECUTIVE TEAM MEMBERS

Paul Jeakins – Commissioner and Chief Executive Officer
Ken Paulson – Chief Operating Officer
Randall Smith – Chief Financial Officer
Mayka Kennedy – Chief Engineer
Trevor Swan – Chief Legal and Regulatory Officer

Corporate Governance

A Board of Directors governs the Commission by setting strategic direction, ensuring organizational performance is in line with strategic priorities, and establishing appropriate accountability and transparency mechanisms. Under OGAA, the Deputy Minister of Natural Gas Development is Board Chair, the Commissioner is Vice Chair, and a third independent member is appointed by the Lieutenant Governor in Council. The Board approves the Commission's budget, Service Plan, and Annual Service Plan Report. Under OGAA, the Board has the powers to make regulations respecting aspects of carrying out oil and gas activities. Governance principles and practices are described in the Board's Mandate and Charter and are disclosed on the Commission's website at www.bcogc.ca.

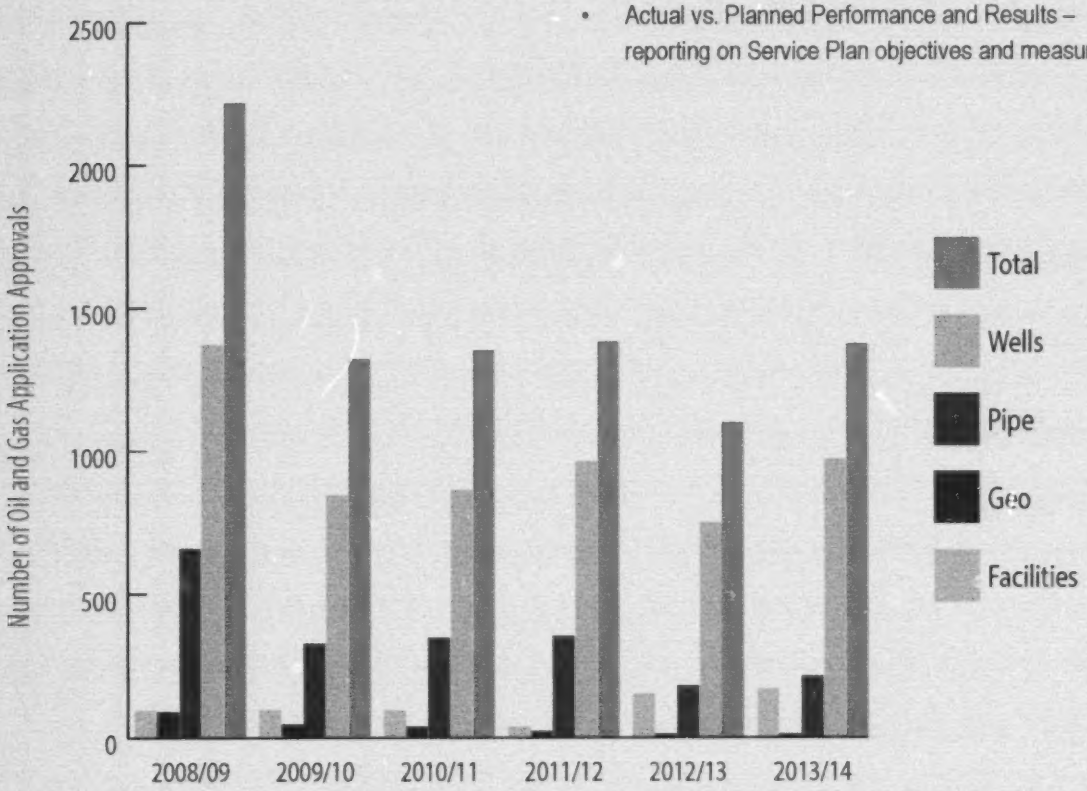
Assisted by a group of expert consultants, the Board factors corporate risks into the strategic planning process. Integrating risk management and strategic planning ensures the Commission's long term objectives are consistent with direction from government, and take into consideration stakeholder needs, and optimal resource allocation. Board consultants further contribute to Commission governance by serving on the Board committees.

The Commission's governance policies and practices comply with the Governance and Disclosure Guidelines for Governing Boards of British Columbia Public Sector Organizations (Best Practice Guidelines) issued by the Board Resourcing and Development Office (BRDO). The Commission's accountability framework is consistent with the accountability requirements established for provincial Crown corporations. Its policy direction is derived from the Government's Letter of Expectations and is aligned with government's strategic priorities. Accountability is delivered through three-year service plans issued every year, quarterly reports on financial performance, and the Annual Service Plan Report summarizing achievements during the year and comparing performance results to Service Plan targets.

Strategy implementation and management of day-to-day operations are the responsibility of the Commissioner, the executive and the senior leadership team.

The Commission's performance during 2013/14 continued to reinforce British Columbia's position as a leading oil and gas jurisdiction in Canada and beyond. Guided by our Mission, Vision, and Values and the strategic direction expressed in the Government's Letter of Expectations, the Commission acted on the strategies outlined in the Service Plan. To remain accountable and transparent, the Commission reports on performance in three parts:

- Government's Letter of Expectations – reporting success in meeting government direction.
- Performance Drivers – reporting on the Commission's response to challenges and opportunities in the operating environment.
- Actual vs. Planned Performance and Results – reporting on Service Plan objectives and measures.



Oil and Gas Application Approvals by Year and Type

During the year, Commission employees received internal and external recognition for their efforts on innovative projects and expertise on translating public policy into practical regulations and processes.

In September 2013, employees from the Commission won the Premier's Award in the "Innovation" category for the creation of the Northeast Water Tool (NEWT) – a highly innovative GIS-based tool to query locations on rivers or lakes throughout northeast B.C. NEWT shows all active water permits and licences upstream of the query location and includes the volumes of water licensed or approved for use, and the volume of water that might potentially be available for use by industry, while preserving environmental flows.

In Fall 2013, a Memorandum of Understanding (MOU) was signed with the Environmental Assessment Office and BC Safety Authority. In the 2013/14 fiscal year, the Commission also signed a partnership agreement with the Yukon Government to share information and cooperate on common interests. In February 2014, Commission staff were recognized by the Government of Alberta for their significant contribution to the Carbon Capture and Storage Regulatory Framework Assessment.

Strategic Context

The Government's Letter of Expectations is an agreement between the Commission and its sole shareholder, the Government of British Columbia, on corporate mandate, strategic priorities, and performance expectations. The Government's Letter of Expectations sets out broad provincial aims on oil and gas policy and provides specific direction to the Commission. It is reviewed annually and is the basis for the preparation of the Service Plan and Annual Service Plan Reports.

The 2013/14 Government's Letter of Expectations was signed on Nov. 30, 2012 and can be viewed on the Commission's website at www.bcogc.ca.
The Commission-specific direction is presented here, along with the Commission's response.

Government's Letter of Expectations for 2013/14

Specific Government Direction	Commission's Response
Continue to advance the governance renewal initiative, including proposals to the Ministry of Natural Gas Development for any legislative changes, to enable the implementation of modern and robust governance structure and governance practices.	The Board of Directors oversaw governance renewal through the ongoing implementation and refinement of the Commission's performance management system.
Continue to develop and improve operational regulations to ensure British Columbia maintains a safe, effective and competitive regulatory framework.	The Commission has continued to develop a modern and comprehensive regulatory framework that includes improvements to safety management, LNG facilities and road regulations.

2013/14
A YEAR IN REVIEW

Total New Approvals Issued by the Commission	**2,145**
Site Inspections Completed by the Commission	**4,467**
Wells Drilled in B.C.	**610**
Kilometers of Pipelines Built in B.C.	**3,035**

Specific Government Direction	Commission's Response
Operate the Commission in a cost-effective manner consistent with the government's austerity approach.	The first choice for meeting staffing requirements remains management using existing organizational positions and vacancies as opposed to incremental staffing. When incremental staffing is required, it must be approved by the Commissioner and CEO after review by the Executive.
Collaborate with other government agencies, professional organizations and learning centres to ensure a coordinated and value-based approach to natural resource development and management.	The Commission extensively collaborates with and seeks input into its strategy from provincial ministries and partner agencies such as the Ministry of Natural Gas Development, Ministry of Energy and Mines and Responsible for Core Review, Ministry of Environment, Ministry of Forests, Lands and Natural Resource Operations, Ministry of Aboriginal Relations and Reconciliation, the Agricultural Land Commission, Environmental Assessment Office, BC Safety Authority and many others. External to British Columbia, the Commission maintains an MOU with the National Energy Board and with the Alberta Energy Regulator. In addition, the Commission participates in numerous regulatory collaborative initiatives with the Interstate Oil and Gas Compact Commission, the Canadian Association of Municipal and Public Utility Tribunals, and the Canadian Standards Association.
Support the BC Jobs Plan, British Columbia's Natural Gas Strategy and the Liquefied Natural Gas (LNG) Strategy and the specific actions pertaining to the Commission.	The Commission's support for provincial strategies and advancing LNG are articulated under the following operational drivers in this document pertaining to North American and global natural gas markets, provincial strategies for natural gas and LNG and organizational capacity.
Support the development of the northeast BC Shale Gas Hydraulic Fracturing Water Strategy identified within the Natural Gas Strategy and cooperate with Government in the refinement and delivery of the Province's regulatory programs for the management and allocation of water resources.	The Northeast B.C. Shale Gas Hydraulic Fracturing Water Strategy has been incorporated within the Northeast Water Strategy led by the Ministry of Forests, Lands and Natural Resource Operations and the Ministry of Environment with support from the Commission and others. The Commission continues to improve the Northeast Water Tool (NEWT) to ensure it provides optimal information required for water allocation to support natural gas development.

In addition to the specific accountabilities above, the Commission also complies with government direction for being carbon neutral under the Greenhouse Gas Reduction Targets Act and reports out accordingly. In 2013, the Commission's Fort St. John staff moved into a LEED® Gold office space, as well as made improvements to reduce paper consumption and find new fleet efficiencies. These efforts, combined with the purchase of carbon offsets, ensure the Commission meets the government goal of a carbon neutral public sector.

PERFORMANCE DRIVERS

The petroleum and natural gas industry is a key economic driver of the provincial economy and the Commission recognizes its important role in navigating the complex operating environment presented by the global marketplace. Numerous influences and changing circumstances present both opportunities and challenges in achieving the Commission's strategic objectives. Discussed below is the Commission's performance during 2013/14 in pursuing opportunities and mitigating risks associated with these factors along with the characteristics of each driver.

DRIVER - NORTH AMERICAN AND GLOBAL NATURAL GAS MARKETS

Potential Influence

The increasing viability of resource extraction through technological advancements has resulted in an abundance of natural gas available to the North American market. With demand staying relatively stable, the production of these considerable and accessible hydrocarbon reserves continues to depress the commodity price of natural gas.

Significant hydrocarbon reserve discoveries in the United States will eventually lead to diminishing imports from Canada. In this saturated market, large companies operating in both Canada and the U.S. are looking to new overseas markets to maintain or increase production.

Internationally, growing economies such as China, Korea, Japan and India have seen demand for natural gas increase. With the average price for 1,000 cubic feet of natural gas under $5 in North America – versus $16 in Asia - Asian markets represent an opportunity for the B.C. natural gas sector. To capture that opportunity, the province is looking to develop a new industry for LNG which makes overseas transportation possible.

Unless an outlet for B.C. natural gas is found either domestically or through overseas exports, natural gas production in the province will likely shrink causing a significant loss of economic activity, jobs and revenue to the province. For the Commission, this will mean reduced funding and decreasing capacity to effectively regulate the existing oil and gas infrastructure.

Actions and Outcomes During 2013/14

A core process review and analysis was completed on over 80 per cent of Commission processes with significant improvements identified and currently underway either within the Business Transition Strategy work or separately by the responsible process owners. This work continues to increase efficiency in the permitting processes to ensure B.C. is an attractive oil and gas investment jurisdiction.

The Commission has negotiated an MOU with the Alberta Energy Regulator geared towards regulatory cooperation and joint initiatives where logical. The Commission met with the National Energy Board and the Alberta Energy Regulator during 2013/14 for these purposes and to maintain the existing MOU with the National Energy Board.

In response to heightened interest in B.C. natural gas, the Commission has built capacity to regulate LNG export facilities and associated pipelines.

DRIVER - PROVINCIAL STRATEGIES FOR NATURAL GAS AND LNG

Potential Influence

Building on the foundation of the BC Jobs Plan, in February 2012 the province released its Natural Gas Strategy supplemented by a strategy for Liquefied Natural Gas as the newest industry in B.C. envisioning LNG exports to global markets by 2020.

LNG is natural gas cooled down to -160 degrees Celsius. At this point the gas is in liquid state and takes 600 times less space for storing and shipping. While the Commission currently regulates two operating LNG storage facilities, the proposed liquefaction processing will take place at LNG facilities next to export terminals. Shipping is through special LNG ships. At this time there are several proposals in their planning stage for such LNG facilities on the B.C. coast.

Pipelines are also proposed to supply natural gas to the LNG facilities from the rich northeastern B.C. plays. The Commission is currently assessing applications for various aspects and segments of these pipelines.

The size and complexity of these LNG projects requires strong collaboration with other federal and provincial agencies. New and expanded workforce competencies and updates to applicable regulations will assist the Commission in meeting its mandate for LNG development.

LNG facilities and pipelines development are time sensitive if B.C. is to win a share in the world LNG market.

Actions and Outcomes During 2013/14

The Commission continues to support provincial strategies and has completed regulatory review work on LNG facilities globally – which included a high level review of existing international standards related to LNG facilities. These reviews factored into the development of the Commission's detailed policy direction for the LNG facility regulation and work continues on this regulation along with development of detailed LNG facility guidelines.

In 2013/14, the Commission began review of the Pacific Trails Pipeline, and will continue to review pipeline applications related to major projects as they are received from the proponents.

The Commission continued to seek early collaboration with partner agencies to drive efficient and effective joint federal/provincial reviews where necessary and signed an MOU with the Environmental Assessment Office and the BC Safety Authority.

DRIVER - MAJOR PROJECTS

Potential Influence

The abundance of natural gas in B.C.'s north and the province's geographic location have prompted proposals for major development projects throughout B.C. For the most part, these projects involve the transporting, processing, and exporting of oil and gas resources.

A proposed activity is designated a major project if it satisfies some or all of the following criteria:

- Requires jurisdictional coordination.
- The proponent is new to upstream development.
- Is of considerable size and duration.
- Is located within First Nations traditional territory outside of northeastern B.C.
- Necessitates cross divisional participation by a variety of experts within the Commission.
- Is a new type of activity, within the Commission mandate.

The Pacific Trail Pipeline, the Kitimat LNG and the Vancouver Airport Fuel Delivery Project are current major projects the Commission will be reviewing during this fiscal year.

Major projects span the entire province and their scope results in heightened interface with First Nations, rights holders and other stakeholders. These major projects are often reviewed concurrently with the Environmental Assessment Office and are always required to satisfy environmental and public safety standards.

LNG facilities and associated pipelines mentioned above in the LNG strategy driver represent major projects that are expected to be in the regulatory spotlight for the next five to seven years. By regulating these projects, the Commission supports a unique opportunity for the province while simultaneously managing numerous risks stemming from the development of a new industry.

Actions and Outcomes During 2013/14

The Commission continued information outreach and service delivery throughout the province to ensure First Nations, landowners, rights holders, and all those affected by oil and gas activities understand the opportunities to participate in regulatory processes. The Commission attended many First Nations meetings in person and has developed a presence in northwest B.C. through the placement of staff in Smithers and Terrace.

The Commission continued to seek early collaboration with partner agencies to drive efficient and effective joint federal/provincial reviews where necessary and signed an MOU with the Environmental Assessment Office and the BC Safety Authority.

The Commission began review of the Pacific Trails Pipeline, and is anticipating reviewing the Kitimat LNG and Vancouver Airport Fuel Delivery Project in 2014/2015 upon receipt of an application from the proponents.

The Commission continues to clearly identify and pursue the knowledge, skills, competencies and organizational structure to effectively regulate LNG facilities and associated major infrastructure projects. Technical training and staff development continued in 2013/14.

DRIVER - ORGANIZATIONAL CAPACITY

Potential Influence

Organizational capacity remains a key strategic driver for the Commission. To maintain long-term strategic focus, the Commission needs a highly professional and adaptable workforce, and modern business systems and infrastructure.

The rising complexity of development applications, the fast pace of technological innovations and new major projects across B.C. have signaled the need for specific technical expertise and skills. The Commission competes for these skills against one of the most advanced and well-paying industries.

After the OGAA came into effect in 2010, the Commission began extensive work on analyzing and mapping its operational processes. This work will be completed during this fiscal year and will improve the efficiency of operations. It will also be the basis for transitioning many aspects of Commission business to a new information systems platform. This will heighten the ability to electronically collect, analyze, store and report on a multitude of data streams managed under the mandate.

Actions and Outcomes During 2013/14

The Commission remained focused on developing organizational capacity through learning and development, workforce planning and employee engagement strategies.

Through the development of an LNG and Major Projects preparedness plan, the effects of external labour, demographic and industry trends were analyzed carefully to ensure employees remained focused on service delivery mandates, in addition short, medium and long term recruitment and retention trend requirements were identified.

The performance management program at the Commission was reviewed and re-launched to all staff to ensure accountability methods, such as the business planning process, individual performance management, and learning and development plans aligned with overall organizational strategy.

The new Fort St. John office opened in Fall 2013 to address improved office and employee work space. The move-in date for the new Fort St. John Core Lab facility is taking place early this fiscal year to address improved storage and handling of core samples.

The Commission continued to streamline service delivery through the capital investment program aimed at core business applications integration into a single, uniform platform with improved electronic submission, information management, and reporting. Industry information sessions were held to familiarize proponents with projects pertaining to E-Permitting and E-Payment.

DRIVER - FIRST NATIONS

Potential Influence

The Commission consults with First Nations on oil and gas activities within their traditional territories in accordance with Section 35 of the Constitution Act and established case law. The processes by which these consultations are conducted are typically defined within consultation agreements between each First Nation and the Commission. The negotiation of these consultation agreements is led by the Ministry of Aboriginal Relations and Reconciliation, with active participation by the Commission and the Ministry of Natural Gas Development.

Interface between oil and gas development and First Nations continues to increase. New drilling techniques for unconventional gas extraction and proposed new facilities and major projects highlight the need for consultation and proactively engaging First Nations throughout B.C.

DWARF BLUEBERRY
Vaccinium caespitosum

Berries are a source of food, eaten raw or processed into jams.

A (SCEK) Fund supported project helps ensure traditional plants used by Prophet River First Nation are re-established during remediation and continue to grow in areas where there has been oil and gas exploration and development.

Actions and Outcomes During 2013/14

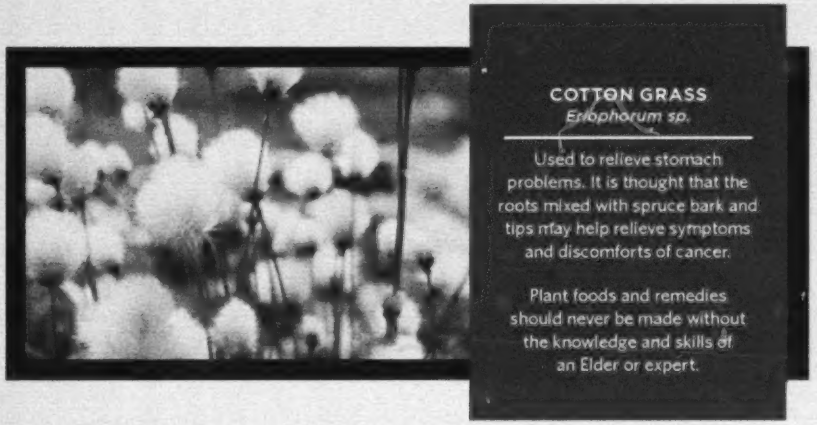
The Commission ensures the Crown's duty to consult with First Nations on oil and gas applications is met and actively supports the Ministry of Aboriginal Relations and Reconciliation in consultation process agreement negotiations and any other related agreements. In 2013/14 the Commission implemented interim capacity agreements with five of the six Treaty 8 Nations in northeast B.C. that do not have a Consultation Process Agreement. A new Consultation Process Agreement was negotiated with McLeod Lake Indian Band commencing May 2014. Negotiations with other Treaty 8 Nations are ongoing.

The Commission continues to consult First Nations on oil and gas project applications and with respect to Area-Based Analysis (ABA). In 2013/14, the Commission conducted 3,262 consultations with Treaty 8 First Nations.

The Commission has broadened the consultation to First Nation communities outside northeast B.C., specifically along potential pipeline routes and within the areas impacted by proposed major projects. In 2013/2014, the Commission successfully placed staff in Smithers and Terrace, B.C. and is seeking additional placements in other key geographic locations. The Commission is currently working with approximately 30 First Nations outside of northeast B.C. on LNG project-related consultations. The potential exists to consult with an additional 40 plus First Nations outside northeast B.C. on LNG-related and other projects. In 2013/14, the Commission held 72 face-to-face LNG-related meetings with First Nations.

Potential Influence

Historically, the Commission has developed and maintained agreements with all of the Treaty 8 First Nations. Many of the emerging major projects are requiring consultation with First Nations outside of northeastern B.C. Through this fiscal year, the Commission is developing new agreements and processes with First Nations who are unfamiliar with oil and gas activities and the role of the Commission.


COTTON GRASS
Eriophorum sp.
Used to relieve stomach problems. It is thought that the roots mixed with spruce bark and tips may help relieve symptoms and discomforts of cancer.
Plant foods and remedies should never be made without the knowledge and skills of an Elder or expert.

Consulted First Nations have indicated the potential impacts of oil and gas development on water and caribou are of increased interest.

Actions and Outcomes During 2013/14

The Commission continues to engage partner agencies to enhance knowledge of the First Nation communities outside northeast B.C. and assist in coordinating consultation. In 2013/14, the Commission participated in a number of inter-agency forums, workshops, and strategic teams designed to bring information to and increase awareness of LNG-related roles and responsibilities of all involved agencies. The Commission is also supporting the Ministry of Aboriginal Relations and Reconciliation in the LNG Pipeline Framework Agreements that are being negotiated.

The Commission continues to develop mutual understanding between all parties of the Commission's role in regards to regulation of the oil and gas industry and consultation with First Nations. In 2013/14, the Commission participated in EAO-led LNG First Nations workshops in Prince George, Fort St. James, Hazelton, and Terrace as well as First Nations community-specific presentations. The Commission participated and presented at the Treaty 8 LNG summit in Fort St. John and the Aboriginal Affairs and Northern Development Canada First Nations Environmental Conference in Prince George.

Commission stewardship staff continue to contribute to caribou initiatives and water monitoring, metering and reporting efforts with partner ministries and agencies. See more actions under the Stewardship driver.

DRIVER - STEWARDSHIP

Potential Influence

Oil and gas development in B.C. occurs primarily in shale and tight gas formations in the Horn River, Liard, Montney Basins and the Cordova Embayment located in the northeast. Unconventional shale gas extraction uses horizontal drilling technologies from multi-well pads in these areas allowing for better coordination of access and management of surface effects.

The OGAA and associated regulations increase the Commission's ability to manage the effects of oil and gas activities on the environment. Involvement of Commission employees on a variety of basin specific and subject matter teams, committees and working groups help support the work led by ministries and partner agencies to manage environmental impacts.

Proposed major projects will move activity out of northeast B.C. into areas unfamiliar with oil and gas development. See the Major Projects driver for specific actions pertaining to these projects.

Economic challenges for operations create potential scenarios where some organizations become insolvent. In addition, there is a trend of increasing inactive well sites awaiting reclamation as the industry matures. Delays in the implementation of restoration activities may increase the number of inactive sites and associated liabilities.

Actions and Outcomes During 2013/14

In coordination with First Nations, industry and stakeholders, the Commission is using ABA to assess environmental impacts and to develop environmental stewardship plans, including expectations for operations in areas of environmental sensitivity. The Commission continues to improve the Northeast Water Tool (NEWT) to ensure it provides optimal information required for water allocation to support natural gas development.

The Commission continues to contribute through multi-agency working groups to caribou management strategies. The Commission supports and implements wildlife management initiatives that provide a balance of maintaining environmental integrity and industrial development and exploration.

The Commission has placed staff in Smithers and Terrace in northwest B.C. to establish a presence in communities where oil and gas development has not typically taken place.

The Commission has a Liability Management Rating (LMR) Program providing efficient processes regarding environmental protection and remediation, and demonstrating accountability. The LMR Program manages the liability risks of oil and gas activities by ensuring permit holders have the means to carry the financial risks of their operations through to regulatory closure.

Potential Influence

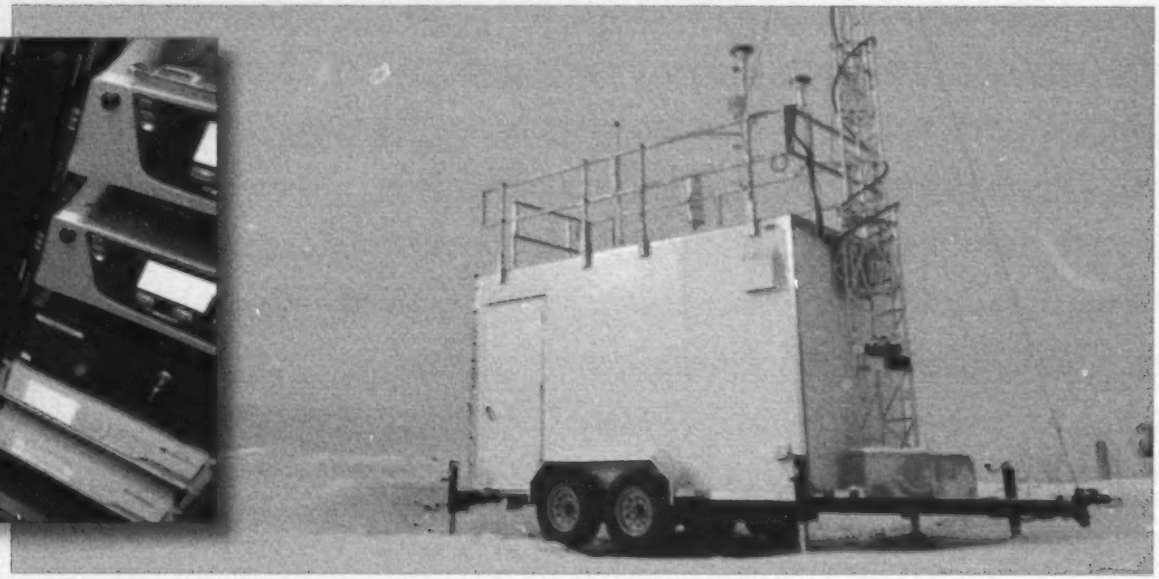
There is increased public interest in potential health effects from oil and gas development, specifically from noise, traffic, dust, air quality and hydraulic fracturing.

Water use in shale gas extraction continues to be of particular interest to stakeholders. The Commission has implemented a regulatory requirement for companies to disclose the ingredients, combination and concentration of chemicals in hydraulic fracturing fluids used at each well where the technique is performed.

Actions and Outcomes During 2013/14

The Commission continues to engage with landowners and residents living in areas of oil and gas development. In 2013/14, the Commission acquired a mobile air quality monitoring unit with sensory equipment to measure air quality and investigate odour reports raised by the public.

The Commission is furthering management of B.C.'s water resources by supporting the development of the Northeast Water Strategy and continuing to improve the NEWT, winner of the Premier's Award for Innovation, to ensure it provides optimal information required for water allocation to support natural gas development.



THE COMMISSION'S MOBILE AIR MONITORING LABORATORY (MAML)

"government's environmental objectives" means the prescribed objectives of the government respecting the protection and effective management of the environment;

"highway" has the same meaning as in the *Transportation Act*;

"land owner" means

(a) a person registered in the land title office as the registered owner of the land surface or as its purchaser under an agreement for sale, and

(b) a person to whom a disposition of Crown land has been issued under the *Land Act*,

but does not include the government or a person referred to in paragraph (b) of the definition of "unoccupied Crown land" in section 1 of the *Petroleum and Natural Gas Act*;

DRIVER - REGULATORY TRENDS

Potential Influence

The Commission actively participates in and provides regulatory and technical expertise to provincial initiatives affecting natural resource development.

Major provincial initiatives with potential to influence new regulations and decisions anticipated during this fiscal year include:

- Integrated Decision-Making for natural resource development and management.
- Cumulative Effects Assessment and Management Framework.
- Modernization of the Water Act.
- Northeast Water Strategy.
- Natural Resource Road Act.
- Woodland Caribou Management.
- Amendment of the Petroleum and Natural Gas Act and regulations.

Actions and Outcomes During 2013/14

The Commission continues to track, monitor, analyze and take action on the interpretation of regulations or interface with other regulatory authorities. On an annual basis the Commission measures changes to the overall scope of its regulatory framework, as well as changes implemented to improve the existing framework.

Changes completed in 2013/14 include the new Emergency Management Regulation and the replacement of the Fee, Levy and Security Regulation. Others initiatives, such as the development of a new Liquefied Natural Gas Facility Regulation continue to be worked on to help ensure the regulatory mandate meets expectations.

The Commission is furthering management of B.C.'s water resources by supporting the development of the Northeast Water Strategy and continuing to improve the NEWT. For more information, please see the Stewardship Driver.

"board" means the board of the commission continued under section 2;
"certificate of restoration" means a certificate issued by the commission under section 41;
"commission" means the Oil and Gas Commission continued under section 2;
"commissioner" means the commissioner appointed under section 2 (3);

Potential Influence

Through participation on provincial initiatives, the Commission identifies opportunities to strengthen its single-window approach in a manner consistent with the OGAA.

Under the OGAA, First Nations, landowners, and the general public can participate in decisions affecting them. These groups' interests, particularly with respect to protecting the environment, influence regulatory trends.

Actions and Outcomes During 2013/14

In coordination with First Nations, industry and stakeholders, the Commission is using ABA to assess environmental impacts and to develop environmental stewardship plans, including expectations for operations in areas of environmental sensitivity. ABA is a process for consideration and management of the effects of development on the land base – to help determine cumulative impacts and better inform decision makers. Implementation of ABA has commenced within the Liard unconventional gas basin.

As ABA evolves, it will be used to assess the impact of proposed oil and gas activities considering the cumulative impacts of all development activity to facilitate appropriate management of surface and subsurface resources.

STRATEGIC OBJECTIVES, MEASURES AND INITIATIVES

The 2013/14 – 2015/16 Service Plan sets specific objectives along five strategic priorities for the Commission:

1. Optimize the Single-Window Regulatory Approach.
2. Optimize Organizational Structure to Increase Efficiency and Effectiveness of Operations.
3. Optimize Workforce.
4. Enhance External and Internal Communication.
5. Optimize the Commission's Expertise and Processes Pertaining to the Regulation of LNG Facilities and Associated Major Projects.

In addition to reporting 2013/14 results against service plan targets, this report includes an update on changes to strategic objectives, measures and targets made during the year for the 2013/14 – 2015/16 Revised Service Plan issued in June 2013. Certain objectives were integrated into Commission operations in 2013/14, with strategic emphasis placed on the single-window regulatory approach, organizational structure to increase efficiency and effectiveness of operations, workforce optimization, external and internal communication, and LNG preparedness. The Commission deems these strategic objectives critical and the work associated with the objectives will continue into the next planning cycle.

The Commission's operations are guided by numerous indicators of inputs and outputs. Operational indicators of activity levels are reported internally on a weekly basis. Performance results for both Permitting & Authorizations and Compliance & Enforcement are summarized monthly and compared to the same period in previous years. The Board of Directors and senior management receive a quarterly update on key operational and strategic performance measures.

Performance measures have been selected from numerous indicators used to track and guide activities on a daily basis. The Commission measures both outputs and outcomes where possible, and for reporting purposes follows the eight reporting principles published by the Office of the Auditor General of British Columbia.

Data used in performance tracking and measurement comes from a number of sources, including:

- Application and compliance statistics mainly from the Commission's IRIS and KERMIT database systems.
- Engineering information related to oil and gas operations in British Columbia.
- Human resources information, including tracking of employee turnover and development, and workforce engagement surveys.

The Commission has a high degree of confidence in the accuracy and reliability of its data. Where possible, benchmark and baseline information is reviewed to provide context for the results achieved by the Commission. Detailed information related to the methodology of Commission performance measures is maintained and updated as necessary. The Commission continues to engage with external agencies as well as government ministries to improve the quality of data used to track and measure progress.

In comparison to other North American oil and gas regulators, the Commission provides a broader range of services through its single-window model. Notwithstanding these differences, the Commission benchmarks its performance results against selected North American oil and gas regulators and against comparable provincial Crown corporations and public agencies.

Strategic Objective #1
OPTIMIZE THE OIL AND GAS SINGLE-WINDOW APPROACH

DESCRIPTION

In a manner consistent with Section 4 of the OGAA, this objective supports a comprehensive single-window approach to regulating oil and gas development, while being mindful of the organizational capacity required to support the regulatory model. This approach requires the Commission to proactively anticipate and respond to changes in the regulatory environment, technology and North American and global markets in order to establish an efficient and effective single-window model that is consistent with promoting the province's competitiveness as an oil and gas jurisdiction.

INTENDED RESULTS

a) The scope of authorizations over which the Commission has jurisdiction is optimized.
b) The transactions with government are limited to those necessary to effectively regulate oil and gas development.
c) The model is recognized by operational customers and stakeholders as effective and efficient, particularly with respect to issuance of permits and authorizations.
d) Interest by other jurisdictions is expressed in the single-window approach.
e) Commission's credibility rises with increasing expertise as a single-window regulator.

2013/14 MEASURES AND RESULTS

PERFORMANCE MEASURES	Actual 2011/12	Actual 2012/13	Actual 2013/14	Target 2013/14	Target 2014/15	Target 2015/16	Target 2016/17
Changes to the scope of the Commission mandate (expanding or contracting the single-window regulatory model)							
Were changes to the scope of the regulatory mandate assessed? (Yes/No)	N/A	Yes	Yes Achieved	Yes	Yes	Yes	Yes
Were changes to the scope of the regulatory mandate implemented? (Yes/No)	N/A	Yes	Yes Achieved	Yes	Yes	Yes	Yes

The Commission continues to track, monitor, analyze and take action on the interpretation of regulations or interface with other regulatory authorities. On an annual basis, the Commission measures changes to the overall scope of its regulatory framework, as well as changes implemented to improve the existing framework. Some changes that were completed in fiscal 2013/14 include the new Emergency Management Regulation and the replacement of the Fee, Levy and Security Regulation. Others initiatives, such as the development of a new Liquefied Natural Gas Facility Regulation continue to be worked on to help ensure the regulatory mandate meets expectations.

Strategic Objective #2

OPTIMIZE ORGANIZATIONAL STRUCTURE TO INCREASE EFFICIENCY AND EFFECTIVENESS OF OPERATIONS

DESCRIPTION

The organizational structure supports the delivery of single-window regulatory services per the Commission's Mandate in Section 4 of the OGAA. The building blocks of the structure are core processes and the corresponding knowledge and skills of staff to sustain those processes. This objective aims to identify opportunities for increasing efficiency and effectiveness of core processes and their enabling business systems. It will also look for opportunities for staff cross-training to ensure clear understanding of the processes and to provide consistency and flexibility in managing current and expected workloads and demand for services.

INTENDED RESULTS

a) Internal processes and organizational structure aligned for optimal staff efficiencies and service delivery.

b) Risks to service levels and the quality of products/decisions are mitigated through workforce adjustments in times of high turnover, high demand or lower demand.

c) Core processes and outputs as established by mandate are clearly identified and supported by resources including skilled and competent staff.

d) Clients and stakeholders receive consistent products and services and have the information they need to access and navigate the processes.

e) Timely, efficient and effective processes and services are provided to oil and gas operators and stakeholders. Increased efficiency of review processes, with better informed and reconciled decisions.

INITIATIVES

- Core Process Analysis: define and document the inventory of core processes, assess the processes against pre-established criteria and identify recommendations for optimizing processes for a more efficient and effective delivery on the Commission's mission and mandate.
- Process Review Initiative: develop business systems based on the results of the Core Process Analysis to transition Commission core business applications to a single, uniform platform with electronic permitting and payment; electronic data submissions and, an electronic document and records management system.

2013/14 MEASURES AND RESULTS

PERFORMANCE MEASURES	Actual 2011/12	Actual 2012/13	Actual 2013/14	Target 2013/14	Target 2014/15	Target 2015/16	Target 2016/17
Calendar days to process new well applications							
Baseline: 33 (2001/02) Benchmark: 30 days (Colorado Oil and Gas Conservation Commission Strategic Plan 2009)	25	17	20 Exceeded	21	21	21	21

The average time to process new well applications on Crown and private land provides a relative measure of process and structural efficiency. The Core Process Analysis initiative has mapped the elements involved in application processing from receipt to decision (start to finish) and an analysis of opportunities for improvement has been developed based on an audit-style review. Improvements which are related to underlying and supporting systems are being implemented as identified or are being implemented through the BTS project. A review of structural alignment with processes will begin in 2014/15.

The Commission is currently meeting the targets identified, however, the number of applications and the complexity of applications increased in 2013/14 and there was a three-day rise from 17 days in 2012/13 to 20 days in 2013/14. The Commission tracks and reports on this measure monthly allowing for the early identification of areas of concern and opportunities for improvement.

Strategic Objective #3
OPTIMIZE WORKFORCE

DESCRIPTION

Anticipating labour, demographic and industry trends through a robust review of the regulatory framework and organizational structure allows for the development of employee skills based on current and future skill inventory and operational needs so employees have the skills and competencies necessary to deliver on mandate. Through strategic workforce planning, which includes leadership and learning development, employees have opportunities for growth and advancement that is upheld through a supportive and collaborative leadership culture.

INTENDED RESULTS

a) Employees are in the right job, with the right skills and abilities and understand their development potential to deliver on the Commission mandate.
b) Value-driven, high achieving culture.
c) As an employer of choice, there is an enhanced ability to attract the right people.
d) Managed employee turnover.
e) Labour, sector and demographic trends are anticipated and responded to.

INITIATIVES

- The workforce analysis initiative includes the research, design and development of a Workforce Plan. The Workforce Plan will provide an accurate summary of the current workforce state, in addition to a thoroughly researched future workforce state based on current and predicted economic forecasts.

The turnover percentage target in 2013/14 was driven by the following factors:

- Demographic pressures on the workforce as a result of "baby boomers" (those born between 1946 and 1964) rapidly reaching retirement age.
- Increased number of voluntary resignations and retirements.
- Continued pressure from industry competing for the same human capital.
- Inequitable pay levels in relation to comparable positions in the oil and gas industry (primary exit interview trend) and mandated hiring freeze, wage freeze and salary cap.

2013/14 MEASURES AND RESULTS

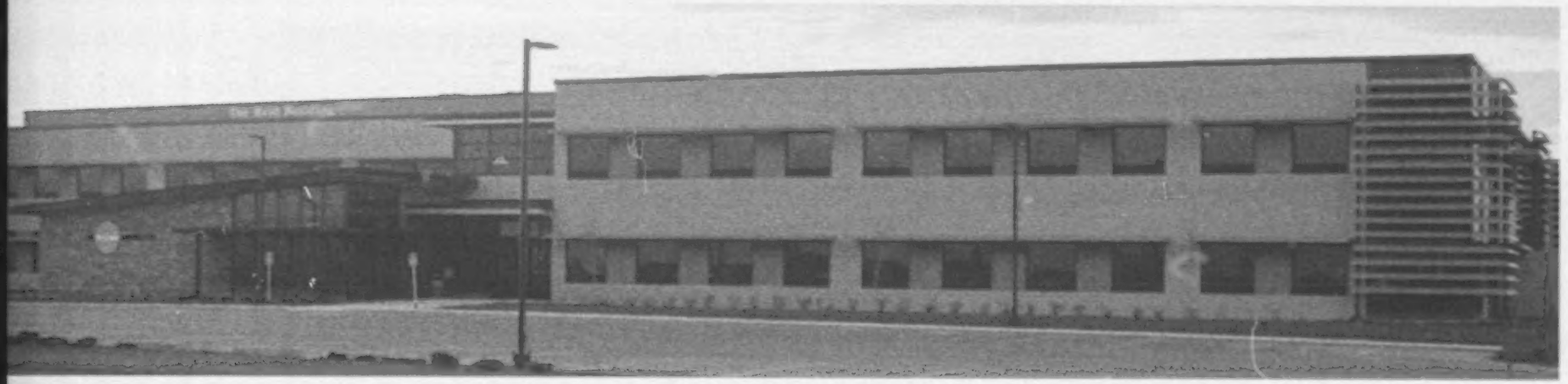
PERFORMANCE MEASURES	Actual	Actual	Actual	Target	Target	Target	Target
Voluntary turnover rate	2011/12	2012/13	2013/14	2013/14	2014/15	2015/16	2016/17
Baseline: 9.1% Benchmark: 10.6% (Alberta Energy Regulator)	12%	12%	12.5% Not Achieved	10%	10%	10%	10%

The Commission has programs in place to retain qualified employees, including a Leadership Development Scholarship Program, and Health, Wellness and Safety Program. The Commission's Human Resources and Organizational Development Department has developed a proactive recruitment and retention strategy to continue to mitigate turnover where possible.

The 2013/14 employee engagement score per the Work Engagement Survey (WES) increased by seven points, four points above the targeted engagement level. WES, conducted by BC Stats, covers all aspects of the Commission work environment and Commission WES scores are compared to benchmark data from other agencies, boards and commissions that take part in the same survey, as well all ministry work units in the BC Public Service. Despite this increase in employee engagement, turnover remains higher than the target due to current total compensation. As reflected in the WES employee feedback, pay and benefits are considered uncompetitive with industry levels. To address continuous work environment improvement, meaningful actions are prioritized and necessary changes are made resulting from the WES feedback. The WES will be conducted every two years from this point forward to align with the BC Public Service. The next WES is targeted to be launched in 2015.

2013/14 MEASURES AND RESULTS

PERFORMANCE MEASURES	Actual	Actual	Actual	Target	Target	Target	Target
Employee Engagement Level per Work Engagement Survey (WES)	2011/12	2012/13	2013/14	2013/14	2014/15	2015/16	2016/17
Baseline: 69 (2008/09) Benchmark: 64 (BC Public Service 2013)	66	N/A	73 Exceeded	69	N/A	70	N/A



Strategic Objective #4
ENHANCE EXTERNAL AND INTERNAL COMMUNICATION

DESCRIPTION

The Commission regulates on behalf of British Columbians and part of its mandate as defined in legislation is to "undertake programs of education and communication" to ensure people understand the regulatory environment the industry operates under. Developing two-way communication with the general public and those we interact with is critical, both externally and internally.

Employees represent the Commission and the province in the communication process, and leaders from all levels in the organization have a clear understanding of how to communicate both to staff and clients. Ensuring employees understand the internal communication channels and align their actions with the strategic objectives of the organization is critical. This includes making accurate information and data analysis related to operations, people, financial resources, and key performance measures consistently available through regular reports (some automated) that are accessible and relevant to the intended audiences.

INTENDED RESULTS

a) The Commission is recognized as a competent, credible and trusted regulator.
b) The Commission's role, mandate and expertise are understood by the general public and those we interact with.
c) Employees clearly understand more about their roles, their co-workers' roles and their linkages to the Commission mandate, core business and strategic vision.
d) All employees have relevant and reliable information readily available to be efficient, productive and responsive.
e) All employees in the Commission agree that the geographic location is immaterial to their ability to work as a team.

INITIATIVES

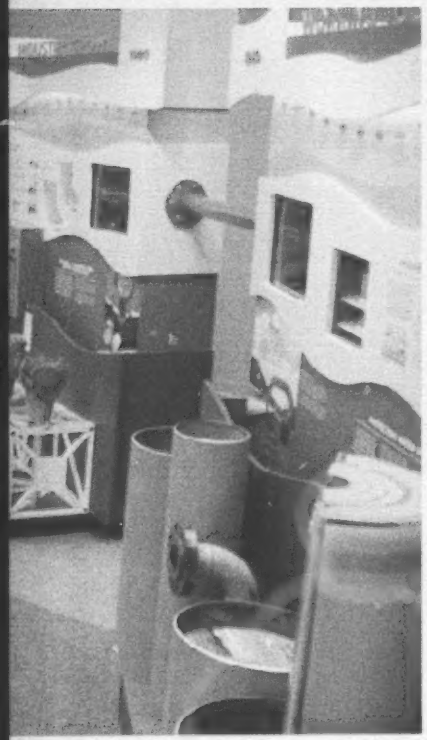
- Develop frameworks for internal and external communication: a comprehensive communication plan that builds the organization's credibility with both internal and external audiences, emphasizing the need for a two-way exchange of information.
- Align employees to corporate strategy by regularly communicating and seeking input into strategic objectives and corporate performance.

THE COMMISSION'S DAWSON CREEK RESOURCE CENTRE

The Commission measures performance of communications efforts both externally and internally. To assist in ensuring the role and mandate of the Commission are understood by the B.C. public, the Commission seeks out opportunities to involve qualified individuals or institutions to maintain standards, improve performance and provide credibility through academic review and critique. The Commission produces and publishes numerous reports annually which include reporting on water use, compliance and enforcement and hydrocarbon reserves. It also produces Peer Review Reports on occasion and one was completed in 2013/14 that is currently awaiting publication so it will be recorded as complete when published in 2014/15.

The Work Engagement Survey (WES) result for 2013/14 shows a significant increase in staff identifying with the Commission's Vision, Mission and Goals. This measure indicates a clear, compelling and consistent view of the present and future is communicated to staff.

The WES will be conducted every two years from this point forward to align with the BC Public Service. The next WES is targeted to be launched in Fall 2015.



2013/14 MEASURES AND RESULTS

PERFORMANCE MEASURES	Actual	Actual	Actual	Target	Target	Target	Target
Number of Peer Reviewed Reports Published in National or International Journals	2011/12	2012/13	2013/14	2013/14	2014/15	2015/16	2016/17
Baseline: Commission 2012/13 Result Benchmark: TBD	N/A	1	0 Not achieved	2	2	2	2

PERFORMANCE MEASURES	Actual	Actual	Actual	Target	Target	Target	Target
Work Engagement Survey (WES) Result for Vision, Mission and Goals	2011/12	2012/13	2013/14	2013/14	2014/15	2015/16	2016/17
Baseline: 63, 2009 Commission Result Benchmark: 60 (BC Public Service 2011/12)	70	70	76 Exceeded	70	N/A	70	N/A

Strategic Objective #5

OPTIMIZE THE COMMISSION'S EXPERTISE AND PROCESSES PERTAINING TO THE REGULATION OF LNG FACILITIES AND ASSOCIATED MAJOR PROJECTS

DESCRIPTION

The Commission's knowledge and experience as the established and respected regulatory authority for oil and gas activities within B.C. is applied to the regulatory lifecycle of LNG facilities and associated major infrastructure projects. Commission knowledge, processes and activities are coordinated with other ministries and partner agencies, ensuring the comprehensive review and efficient processing of regulatory applications and the effective utilization of resources to assure public safety and environmental protection.

INTENDED RESULTS

a) Define and optimize processes pertaining to permitting and oversight of LNG facilities and associated major projects to provide fair and timely regulatory decisions.

b) Oversight of the design, construction, operation and maintenance of LNG facilities and associated major projects to ensure compliance with legislative requirements for public safety and environmental protection.

c) Extend the Commission's education and outreach program throughout the province to ensure those affected by oil and gas activities understand opportunities to participate in regulatory processes.

d) Coordinate efforts with ministries and partner agencies to ensure the approach is aligned and upholds all applicable legislation and regulations.

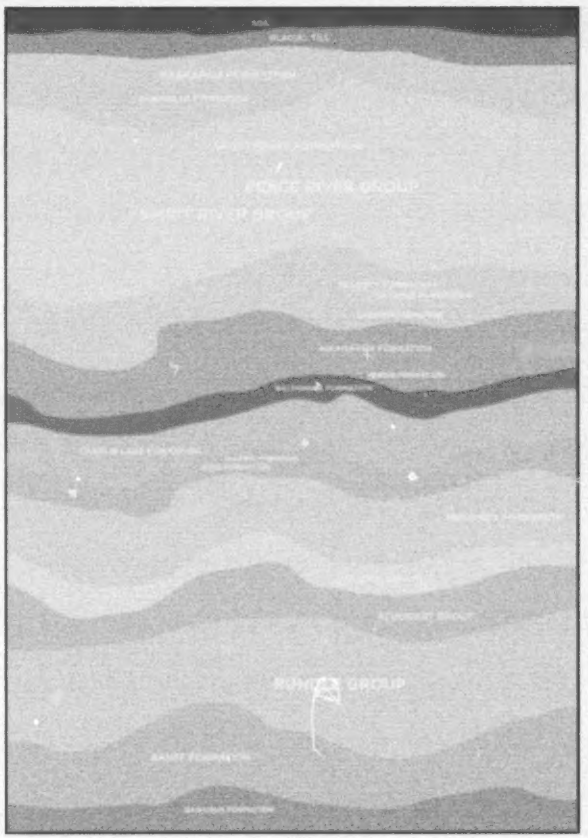
e) Establish an acknowledged presence in the regulatory oversight of LNG facilities and major projects in the locations in which they are situated.

f) Develop recognized professional and technical expertise in the regulation of LNG facilities and associated major projects.

g) Proactively engage First Nations who may be affected by LNG facilities and associated major projects.

INITIATIVES

- Review regulatory requirements for LNG facilities and pipelines from other jurisdictions and look for opportunities to strengthen the single-window model and proactively engage in consultations with First Nations, rights holders and other stakeholders who may be affected by proposed major projects.
- Align employees to corporate strategy by regularly communicating and seeking input into strategic objectives and corporate performance.



NORTHEAST BC STRATIGRAPHY - UPPER DEVONIAN TO SURFACE

The measures under this objective indicate participation of stakeholders and First Nations in activities pertaining to LNG and associated major projects with the intent of appraising Commission service levels in the new geographic areas of industry activity. As the LNG measure is new, benchmarks and targets are still under consideration.

The Commission addresses quality of life issues within its regulatory mandate and builds relationships to increase familiarity with the role of the Commission as the regulator of oil and gas activities throughout the province. Respecting oral tradition as a cultural value of British Columbian First Nations, the Commission pursues opportunities to meet with First Nations to engage in consultations where their traditional territories may be affected by proposed LNG and major projects.

In the measure pertaining to stakeholder interests, the ability to address interests and questions is dependent on information tied to project specifics. The timeline between indication of interest and actual project information may take multiple fiscal quarters, and extend into the next fiscal year due to the longer LNG proposal process. Despite these ongoing interests and longer processes, the target for 2013/14 was met and exceeded.

The number of First Nations meetings attended in person by the Commission increased significantly throughout 2013/14. The number of meetings held doubled from Q2 to Q3 and doubled again from Q3 to Q4. The Commission has proactively placed staff in the northwest B.C. communities of Smithers and Terrace to address this increasing demand and maintain an appropriate presence in the communities in close proximity to proposed LNG development.

The Commission completed the regulatory review work last year for LNG facilities globally – which also included a high level review of existing international standards related to LNG facilities. These reviews factored into the development of the Commission's detailed policy direction for the LNG facility regulation and are the basis upon which the regulation has been drafted over the past five months. Work continues on drafting the LNG facility regulation along with the development of detailed LNG facility guidelines.

PERFORMANCE MEASURES	Actual	Actual	Actual	Target	Target	Target	Target
Number of Stakeholder Interests Successfully Addressed with LNG Facilities and Associated Major Projects	2011/12	2012/13	2013/14	2013/14	2014/15	2015/16	2016/17
Baseline: 65% Benchmark: TBD	TBD	65%	80% Exceeded	75%	TBD	TBD	TBD

PERFORMANCE MEASURES	Actual	Actual	Actual	Target	Target	Target	Target
Number of First Nation Meetings Attended in Person by the Commission	2011/12	2012/13	2013/14	2013/14	2014/15	2015/16	2016/17
Baseline: TBD Benchmark: TBD	N/A	N/A	72 Target TBD	TBD	TBD	TBD	TBD

Financial Outlook

The financial position of the Commission at the end of fiscal 2013/14 is discussed here in conjunction with the appended draft financial statements and related notes for the fiscal year-ended March 31, 2014. The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS).

From operations the Commission realized a $2.1 million surplus compared to the budgeted surplus of $101 thousand in the 2013/14 – 2015/16 Revised Service Plan. Total revenues came in at $46.3 million, compared to the budget of $43.3 million due to an increase in application volume and major project revenue.

Production levies revenue of $29.2 million includes a tax on production of $1.3 million to fund the Orphan Sites Reclamation Fund (OSRF), which is administered by the Commission and considered as part of the entity for financial reporting purposes.

KEY ASSUMPTIONS AND STATISTICS

ASSUMPTION	2013/14 Projected	2013/14 Actual	2014/15 Projected	2015/16 Projected	2016/17 Projected
New Well Applications Per 2014/15 - 2016/17 Service Plan	950	1,036	1,000	1,100	1,200
Marketable Gas Volumes					
Per 2013/14 - 2015/16 Service Plan	38.7 x 10^9 m^3		43.0 x 10^9 m^3	49.6 x 10^9 m^3	
Per 2014/15 - 2016/17 Service Plan*	38.7 x 10^9 m^3	39.5 x 10^9 m^3**	41.8 x 10^9 m^3	47.0 x 10^9 m^3	53.8 x 10^9 m^3
Produced Oil Volumes					
Per 2013/14 - 2015/16 Service Plan	1.3 x 10^6 m^3		1.3 x 10^6 m^3	1.2 x 10^6 m^3	
Per 2014/15 - 2016/17 Service Plan	1.1 x 10^6 m^3	1.2 x 10^6 m^3**	1.2 x 10^6 m^3	1.1 x 10^6 m^3	1.1 x 10^6 m^3
Salaries and benefits projections reflect cost containment measures and are subject to future labour negotiations.					
Inflation is estimated at three per cent per annum.					
The Commission has made estimates with respect to consultation process agreements.					

*From forecasts provided by Ministry of Finance, October 2013.
**From forecasts provided by Ministry of Natural Gas Development, January 2014.

Total Commission expenses (not including orphan sites reclamation) were $41.2 million compared to $42.2 million budgeted. Salaries and benefits expenses in 2013/14 were $21.4 million, just under the Service Plan budget of $22 million. The Commission's employees come from a wide range of technical and professional backgrounds and are dispersed in different geographical areas. The salary and benefits structure for included employees is negotiated with the Professional Employees Association and the B.C. Government and Service Employees' Union.

COMPARATIVE FINANCIAL RESULTS AND FINANCIAL OUTLOOK

Financial Results $000s	2011/12 Actual	2012/13 Actual	2013/14 Actual	2013/14 Budget*	Variance from Budget	2014/15 Budget	2015/16 Forecast	2016/17 Forecast
Revenues								
Production Levies (incl. OSRF)	28,893	26,838	29,215**	29,346	(131)	27,241	28,546	32,976
Annual Pipeline Levies	2,215	2,160	2,314	2,281	33	2,351	2,422	2,495
Fees	12,185	9,806	13,960	10,828	3,132	19,729	19,497	17,822
Misc. & Recoveries	934	822	829	838	(9)	800	824	849
Total Revenues	**44,227**	**39,626**	**46,318**	**43,293**	**3,025**	**50,121**	**51,289**	**54,142**
Expenses								
Salaries and Benefits	18,967	20,039	21,398	22,019	(621)	23,350	25,218	26,479
Operating & First Nations Expenses	17,287	17,340	19,754	20,173	(419)	25,121	24,657	26,142
Orphan Sites Reclamation Fund (OSRF)	917	4,825	3,097	1,000	2,097	1,000	1,000	1,000
Total Expenses (incl. amortization)	**37,171**	**42,204**	**44,249**	**43,192**	**1057**	**49,471**	**50,875**	**53,621**
Annual Surplus (deficit)	**7,056**	**(2,578)**	**2,069**	**101**	**1,968**	**650**	**414**	**521**

*2013/14 Budget is from the Revised Service Plan 2013/14-2015/16 published June 27, 2013.
** Budgeted and Actual amounts do not include the flow through portion of the levy and well application fees collected for SCEK.

At March 31, 2014 the Commission held security deposits from operators in the amount of $18.7 million (an increase of $1 million from prior year) and Letters of Credit of $14.1 million against potential liability with respect to site reclamation and abandonment. OSRF expenses were higher than budgeted because four orphan sites were designated in fiscal 2013/14.

Investments in tangible capital assets during the year were $7 million, primarily related to new business applications development and tenant improvements. The accumulated surplus of the Commission started the year at $26.2 million and ended the year at March 31, 2014 at $28.3 million. The Commission has no debt.

In addition to actual results for the past year, financial outlook information is provided below. Forecast information is subject to a number of risks and uncertainties as discussed in the preceding report on strategic and operational drivers. The key assumptions used for estimates are provided and compared to actual results where possible.

The Commission has no major capital projects in excess of $50 million as defined by the Budget Transparency and Accountability Act and is therefore not reporting under this requirement of the Act. Capital spending on information technology upgrades, tenant improvements and equipment are forecast to be $11 million for the next three years.

OTHER INFORMATION REQUIRED BY SHAREHOLDER

CONFIDENTIALITY

This report is complete and contains no confidential information.

REPORT ON SUBSIDIARIES AND BUSINESS SEGMENTS

The Commission has no subsidiaries. The Orphan Site Reclamation Fund is not a subsidiary, but is consolidated for financial statements purposes.

CONTACT INFORMATION

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Photography

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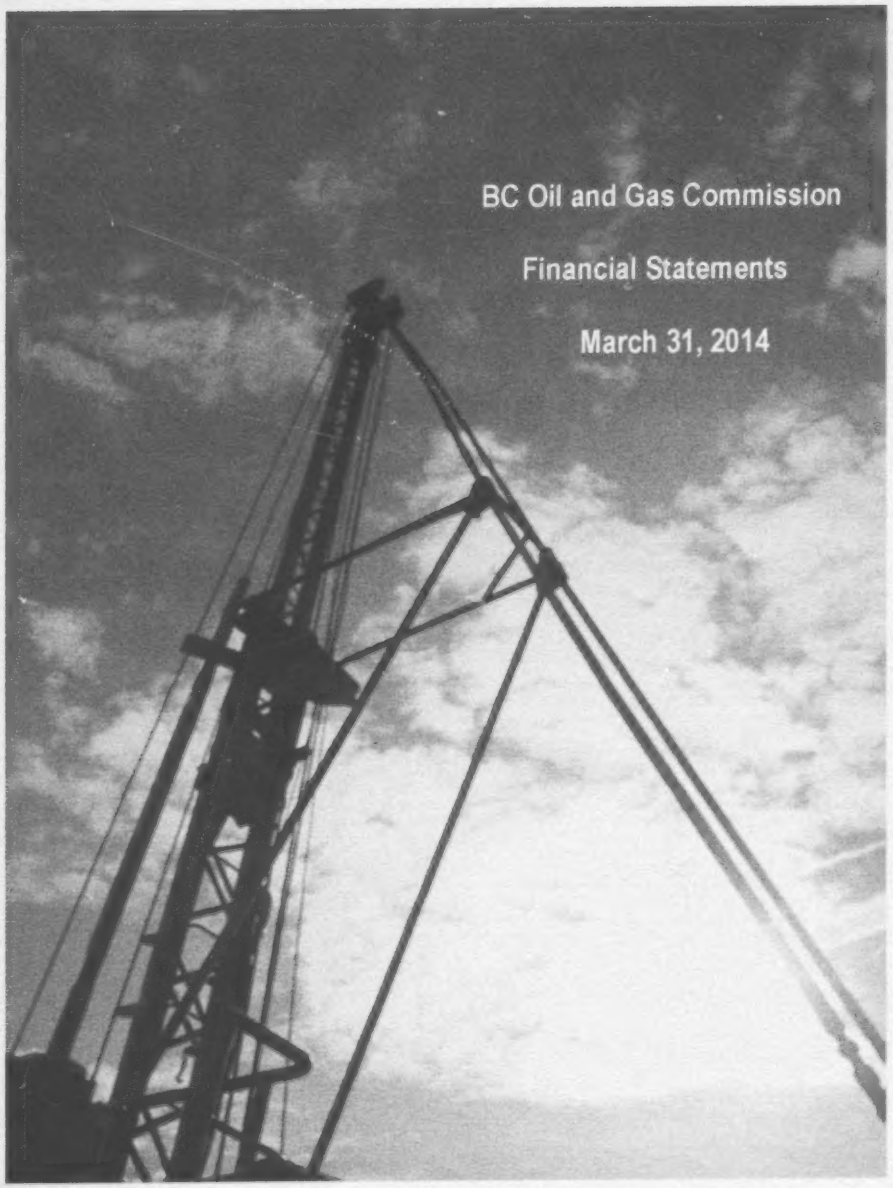

BC Oil & Gas COMMISSION

Statement of Management Responsibility

The financial statements of the BC Oil and Gas Commission (Commission) for the year ended March 31, 2014 have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial statements on a quarterly basis and external audited financial statements annually.

The auditor, the Auditor General of British Columbia, conducts an independent examination, in accordance with Canadian auditing standards, and expresses his opinion on the statements. The external auditor has full and free access to the Audit Committee and management of the Commission, and meets when required.

The accompanying Auditor's Report outlines his responsibility, the scope of his examination and his opinion on the financial statements.

On behalf of the Commission

Paul Jeakins
Commissioner

Randall Smith
Chief Financial Officer

May 30, 2014

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Oil and Gas Commission, and
To the Minister of Natural Gas Development, Province of British Columbia

I have audited the accompanying financial statements of the Oil and Gas Commission ("the entity"), which comprise the statement of financial position as at March 31, 2014, and the statement of operations and accumulated surplus, statement of changes in net financial assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Oil and Gas Commission as at March 31, 2014, and the results of its operations, changes in accumulated surplus, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Russ Jones

Victoria, British Columbia
May 30, 2014

Russ Jones, MBA, CPA, CA
Auditor General

Office of the Auditor General of British Columbia

BC Oil and Gas Commission
Statement of Financial Position
(in $000s)

	Note	March 31 2014	March 31 2013
Financial assets			
Cash		4,259	35,897
Investments	3,4	30,000	-
Accounts receivable	5	11,811	9,995
Due from government	7	3,596	3,218
Other assets		-	66
		49,666	49,176
Liabilities			
Accounts payable & accrued liabilities	8	2,682	1,782
Employee future benefits	9	258	224
Due to First Nations	10	2,431	2,707
Due to SCEK	6	970	875
Due to government		484	300
Deferred revenue	11	1,973	551
Deferred lease inducements		191	226
Liability for orphan sites	12	5,214	5,349
Security deposits	4	18,713	17,703
		32,916	29,717
Net financial assets		16,750	19,459
Non-financial assets			
Tangible capital assets	13	10,743	6,091
Prepaid expenses		823	697
		11,566	6,788
Accumulated surplus		**28,316**	**26,247**
Contractual obligations	14		
Contingent liabilities	15		
Measurement uncertainty	17		

The accompanying notes are an integral part of these statements.

Approved on behalf of the Board

Steve Carr, Board Chair

Paul Jeakins, Commissioner

Arn van Iersel, Audit Committee Chair

BC Oil and Gas Commission
Statement of Operations and Accumulated Surplus
(in $000s)

	Note	Budget 2014 (Note 19)	March 31 2014	March 31 2013
Revenues				
Production levies		28,083	29,215	26,838
Annual pipeline levies		2,281	2,314	2,160
Fees		10,529	13,960	9,806
Other revenue		438	829	822
		41,331	46,318	39,626
Expenses	18			
Oil and gas activities regulation		40,228	41,152	37,379
Orphan site reclamation		1,000	3,097	4,825
		41,228	44,249	42,204
Annual (deficit) surplus		103	2,069	(2,578)
Accumulated surplus beginning of year		26,247	26,247	28,825
Accumulated surplus end of year		26,350	28,316	26,247

The accompanying notes are an integral part of these statements.

BC Oil and Gas Commission
Statement of Change in Net Financial Assets
(in $000s)

	Budget 2014 (Note 19)	March 31 2014	March 31 2013
Annual (deficit) surplus	103	2,069	(2,578)
(Acquisition) of tangible capital assets	(4,551)	(7,033)	(2,302)
Amortization of tangible capital assets	2,264	2,381	1,945
	(2,287)	(4,652)	(357)
(Acquisition) of prepaid expense	(500)	(825)	(699)
Use of prepaid expense	400	699	476
	(100)	(126)	(223)
Increase (decrease) in net financial assets	(2,284)	(2,709)	(3,158)
Net financial assets at beginning of year	19,459	19,459	22,617
Net financial assets at end of year	**17,175**	**16,750**	**19,459**

BC Oil and Gas Commission
Statement of Cash Flows
(in $000s)

	March 31 2014	March 31 2013
Operating transactions		
Cash generated from:		
Production levies	28,761	27,039
Annual pipeline levies	2,191	2,137
Fees	14,306	9,999
Interest	262	333
Miscellaneous and recoveries	187	565
Security deposits	3,979	7,594
	49,686	47,667
Cash used for:		
Salaries and benefits	(21,124)	(20,062)
Payments to First Nations	(6,647)	(7,679)
Operating expenses	(10,421)	(7,682)
Orphan site reclamation	(3,232)	(233)
Security deposits refunded	(2,968)	(2,319)
	(44,392)	(37,975)
Cash from operating activities	5,294	9,692
Capital transactions		
Cash used to acquire tangible capital assets	(6,932)	(2,302)
Investing transactions		
Investments in portfolio investments	(30,000)	-
(Decrease) increase in cash	(31,638)	7,390
Cash beginning of year	35,897	28,507
Cash end of year	**4,259**	**35,897**

1. The Oil and Gas Commission

The Commission was established under the *Oil and Gas Commission Act* on July 30, 1998 to regulate oil and gas activities, having regard to environmental, economic and social values, encourage participation of First Nations, and advance safe and efficient practices in the industry. The Commission is accountable for delivering initiatives and programs that serve to minimize the environmental impact of oil and gas activities in British Columbia. The Commission and its purposes were continued in the *Oil and Gas Activities Act* which came into force October 4, 2010.

The Commission is funded through:

- Fees charged in respect of permit applications, transfers and amendments and
- Levies on oil and gas production and
- Annual pipeline levies

The Commission is exempt from federal and provincial income taxes.

2. Significant Accounting Policies

Basis of accounting
These financial statements are prepared by management in accordance with Canadian public sector accounting standards.

Financial Instruments
The Commission reports its Financial Instruments as follows: Cash is measured at fair value and all gains and losses are reported in the statement of operations in the period in which they occur. All other financial assets and financial liabilities are measured at cost or amortized cost.

Tangible Capital Assets
Capital assets are recorded at cost. The costs, less estimated residual value, of the tangible assets, are amortized on a straight-line basis over the estimated useful life of the assets at the following annual rates:

Capital assets	Rate
Tenant improvement	over the lease term
Furniture	10%
Computer hardware	33%
Operating equipment	10% - 20%
Automotive equipment	20%
Business systems development	33%
Computer software	20% - 33%

Computer software includes satellite imagery which is being amortized on a straight-line basis at a rate of 20%.

BC Oil and Gas Commission
Notes to the Financial Statements March 31, 2014
(in $000s)

2. Significant Accounting Policies (continued)

Revenue Recognition

Revenues are recognized in the period in which the transaction or events occurred that give rise to the revenues. All revenues are recorded on an accrual basis. Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service performed.

Levy Revenue

All levy revenue authorized and collected under the *Oil and Gas Activities Act* is first paid to the Minister of Finance. The Province is required to transfer this amount of revenue to the Commission in full. Levy revenue is calculated based on production of oil and gas, and is also recognized as revenue at point of production. Annual pipeline levies are billed and recognized based on length and size of pipe owned at March 31 of the applicable fiscal year.

Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed. Grants are recorded as expenses when the payment is authorized and eligibility criteria have been met by the recipient. Reclamation costs are estimated and accrued when determinable.

Prepaid Expenses

Prepaid expenses include flight passes, subscriptions, insurance, property taxes and other general prepaid expenses and are charged to expense when used or over the periods expected to benefit from the expenditures.

Employee Future Retirement Allowance

Employee Future Retirement Allowance liabilities are estimated each year and the change is recorded in salaries and benefits expense. Actuarial gains or losses are amortized over the expected average remaining service life of the employees.

3. Investments

Investments consist of term deposits which are liquid short term investments with maturity dates of one year from the date of acquisition and are carried on the Consolidated Statement of Financial Position at the lower of cost or market value.

Investment funds are pooled from the following sources:

	March 31 2014	March 31 2013
Security deposits - Liability Management Rating program (note 4)	18,713	-
Orphan site reclamation fund (note 12)	5,000	-
Operating fund	6,287	-
	30,000	-

4. Security Deposits

On October 28, 2010, the Commission established a Liability Management Rating (LMR) program. The objective of the LMR program is to ensure that permit holders carry the financial risk of their oil and gas operations through to regulatory closure. The Commission, through the LMR program, undertook the responsibility to regularly assess security deposits and provide refunds. The Commission holds $32,845 in security deposits, of which $18,713 (2013: $17,703) is held in cash and/or investments and $14,132 (2013: $17,258) in the form of irrevocable letters of credit which are not recorded in these financial statements. Security deposits are restricted for use in settling potential permit holder remediation obligations. In fiscal 2014, the Commission recovered $21 (2013: $153) from security deposits to satisfy remediation obligations of permit holders for specific orphan sites. This is reported within Other revenue on the Statement of Operations.

5. Accounts Receivable

Production levies are collected and processed by the provincial government. At any point in time, a portion of levies receivable by the Commission is payable by industry, and a portion is payable by the Province. See note 7.

	March 31 2014	March 31 2013
Production levies receivable	7,961	7,641
Annual pipeline levies receivable	2,286	2,139
Fees	1,059	146
Other receivables	505	69
	11,811	**9,995**

6. Science and Community Environmental Knowledge (SCEK) Fund

The Commission administers the SCEK fund on behalf of the SCEK Steering Committee. The activities and balances of the SCEK fund are not included in these financial statements. Funding is generated and collected by the Commission through a portion of the levy on oil and gas production and a portion of the application fee for wells. The Commission collected $2,480 during the year on behalf of SCEK. The Commission charges an annual fee to SCEK to administer the fund.

7. Due from Government

	March 31 2014	March 31 2013
Levies collected	3,192	2,962
Recoveries and other	404	256
	3,596	**3,218**

8. Accounts Payable and Accrued Liabilities

	March 31 2014	March 31 2013
Accounts payable and accrued liabilities	1,306	646
Salaries and benefits payable	1,376	1,136
	2,682	**1,782**

BC Oil and Gas Commission
Notes to the Financial Statements March 31, 2014
(in $000s)

8. Accounts Payable and Accrued Liabilities (continued)

Employee Leave Entitlements

As of March 31, 2014, the value of employee entitlements to vacation, other leave and compensatory time off, plus related benefits, in accordance with collective agreements and terms of employment was $487 (2013: $587). This amount is included in salaries and benefits payable.

9. Employee Future Benefits

Employee Benefit Plan

The Commission and its employees contribute to the Public Service Pension Plan (the Plan). The Public Service Pension Board of Trustees, representing plan members and employers is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a defined benefit multi-employer contributory pension plan.

Every three years, an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The latest valuation as at March 31, 2011 indicated an unfunded liability of $275 million for basic pension benefits. The next valuation will be as at March 31, 2014 with results available in early 2015. The actuary does not attribute portions of the unfunded liability or surplus to individual employers. Contributions to the Plan by the Commission for 2014 were $1,748 (2013: $1,553) and are included in salaries and benefits expense.

Future Retirement Allowance Liability

The Commission accrues for future retirement allowances as provided under the collective agreements and terms of employment. The accrual as at March 31, 2014 is actuarially determined based on service and best estimates of retirement ages, expected future salary and wage increases, long term inflation rates and discount rates. The estimates are also based on assumptions about future events.

The liability as reported on the statement of financial position is as follows:

	March 31 2014	March 31 2013
Accrued retirement obligation		
Balance at beginning of year	224	240
Current benefit cost	34	16
Interest	12	7
Amortization of actuarial loss	9	-
Benefits paid	(21)	(39)
Balance at end of year	**258**	**224**
Actuarial retirement obligation		
Accrued benefit obligation	258	224
Unamortized actuarial loss	112	140
Balance at end of year	**370**	**364**

Future Retirement Allowance Liability (continued)

The significant actuarial assumptions adopted in measuring the Commission's accrued retirement obligations are as follows:

	2014	2013
Discount rate	4.00%	3.15%
Wages and salary escalation	2.00%	1.70%

Over time, changes in assumptions and actual experience compared to expected results will cause actuarial gains and losses in future valuations. The unamortized actuarial loss on future payments is amortized over the estimated average remaining years of service of the employee group which has been determined to be approximately 16 years at March 31, 2014.

10. Due to First Nations

Due to First Nations includes management's best estimate of expected liability to a number of First Nations. The Commission works closely with First Nations and negotiates Consultation Process Agreements and Memoranda of Understanding to establish formal consultation processes for oil and gas activities. These agreements provide resources for First Nations' capacity to participate in the consultation processes as well as set out responsibilities of the parties involved. The Commission is currently participating in negotiations with several First Nations.

11. Deferred Revenue

Deferred revenue consists of unearned application fees and major application revenue. The change in the deferred revenue balance is as follows:

	Balance at beginning of year	Receipts during year	Transferred to revenue	Balance at end of year
Fees	551	13,529	(12,107)	1,973

12. Liability for Orphan Sites

The Commission administers the Orphan Site Reclamation Fund (OSRF). The OSRF was created on April 1, 2006 as a means for industry to pay for restoration of orphaned oil and gas sites and for related costs. Revenue for the OSRF is derived from levies. Currently there are 40 (2013: 38) sites designated as orphan sites, 10 which have been substantially restored, with the remainder undergoing restoration at various stages.

The Commission continues to evaluate other sites that could potentially be designated as orphan sites.

BC Oil and Gas Commission
Notes to the Financial Statements March 31, 2014
(in $000s)

13. Tangible Capital Assets

March 31, 2014

	Tenant Improvements	Furniture	Computer Hardware	Operating Equipment	Automotive Equipment	Business Systems Development	Computer Software	Total 2014
Cost								
Opening balance	4,532	1,425	1,323	391	760	2,926	499	11,856
Additions	1,349	1,532	842	530	226	2,389	165	7,033
Disposals	-	-	-	-	-	-	-	-
Closing balance	**5,881**	**2,957**	**2,165**	**921**	**986**	**5,315**	**664**	**18,889**
Accumulated Amortization								
Opening balance	2,634	665	783	175	171	1,145	192	5,765
Amortization	540	194	453	107	71	880	136	2,381
Disposals	-	-	-	-	-	-	-	-
Closing balance	**3,174**	**859**	**1,236**	**282**	**242**	**2,025**	**328**	**8,146**
Net book value	**2,707**	**2,098**	**929**	**639**	**744**	**3,290**	**336**	**10,743**

March 31, 2013

	Tenant Improvements	Furniture	Computer Hardware	Operating Equipment	Automotive Equipment	Business Systems Development	Computer Software	Total 2013
Cost								
Opening balance	4,478	1,492	1,412	505	553	3,854	418	12,712
Additions	54	101	286	48	207	1,382	224	2,302
Disposals	-	(168)	(375)	(162)	-	(2,310)	(143)	(3,158)
Closing balance	**4,532**	**1,425**	**1,323**	**391**	**760**	**2,926**	**499**	**11,856**
Accumulated Amortization								
Opening balance	2,036	706	794	239	109	2,860	236	6,980
Amortization	598	127	364	98	62	597	99	1,945
Disposals	-	(168)	(375)	(162)	-	(2,312)	(143)	(3,160)
Closing balance	**2,634**	**665**	**783**	**175**	**171**	**1,145**	**192**	**5,765**
Net book value	**1,898**	**760**	**540**	**216**	**589**	**1,781**	**307**	**6,091**

Included in the net book value of business systems development are assets not being amortized of $1,092 (2013: $759) as they have not yet been completed and put into use.

14. Contractual Obligations

The Commission has entered into a number of multiple-year contracts for the delivery of services, the construction of assets, and operating leases. These contractual obligations will become liabilities in the future when the terms of the contract are met. Disclosure relates to the unperformed portion of the contracts.

2015	2016	2017	2018	2019	Thereafter
3,516	3,312	3,312	3,441	3,402	22,647

The Commission is committed under First Nations agreements to make certain payments in the coming year that are based on well applications received.

15. Contingent Liabilities

The Commission may become contingently liable with respect to pending litigation and claims in the normal course of operations. In the opinion of management, any liability that may arise from pending litigation would not have a material effect on the Commission's financial position or results of operations.

See also Note 12 regarding potential reclamation costs related to the Orphan Site Reclamation Fund.

16. Related party transactions

The Commission is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are recorded on an accrual basis, are considered to be in the normal course of operations, and are recorded at the exchange amount which is the amount of consideration established and agreed to by the related parties.

The financial statements include the following related party transactions:

	March 31 2014	March 31 2013
Revenues:		
Contract recoveries	136	38
Miscellaneous	182	333
	318	**371**
Expenses:		
Salaries and benefits	574	647
Building occupancy	840	1,033
Professional services and training	359	314
Grants	1,013	250
Telecommunications and information systems	122	145
Travel and vehicle costs	93	66
Office supplies and equipment	69	26
	3,070	**2,481**

BC Oil and Gas Commission
Notes to the Financial Statements March 31, 2014
(in $000s)

17. Measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Measurement uncertainty exists in these financial Statements. Actual results could differ from these estimates.

	reported	Low	High
Revenues			
Production levies	29,215	29,190	29,240

Production levies are revenues derived from oil and gas production in the province of British Columbia. As of the date of these statements, production for the last month of the fiscal year is estimated. This estimate is based on analysis that takes into account both historical and current year trends in production. Actual production revenue for the year has consistently been within 1% of estimated production revenue. A difference in this estimate would also affect production levies receivable and annual and accumulated surpluses.

Liability for orphan sites	5,214	4,146	6,922

Liability for known orphan sites is estimated using expected abandonment and restoration costs for these specific sites, under expected conditions based on known characteristics of each site. The estimation of the liability does not include contingencies for delays due to weather, problematic plugging activities, or unforeseen sources of contamination. Additional potential liability for the designated sites resulting from these contingencies is also estimated based on site characteristics. Changes in this estimate would also affect Orphan Reclamation expenses and annual and accumulated surpluses.

18. Expense by Object

	Oil and Gas Activities Regulation	Orphan Site Reclamation	March 31 2014	March 31 2013
Salaries and benefits	21,398	-	21,398	20,039
First Nations	6,396	-	6,396	7,054
Building occupancy	4,143	-	4,143	2,581
Professional services and training	1,889	-	1,889	1,951
Amortization	2,381	-	2,381	1,945
Travel and vehicle costs	1,573	-	1,573	1,415
Telecommunications and information systems	1,615	-	1,615	1,484
Grants	1,097	-	1,097	331
Orphan site reclamation	-	3,097	3,097	4,825
Office supplies and equipment	630	-	630	486
Miscellaneous	30	-	30	93
	41,152	**3,097**	**44,249**	**42,204**

19. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Directors on January 16, 2013.

20. Comparative note

Certain comparative figures have been restated to conform to the current year's presentation.